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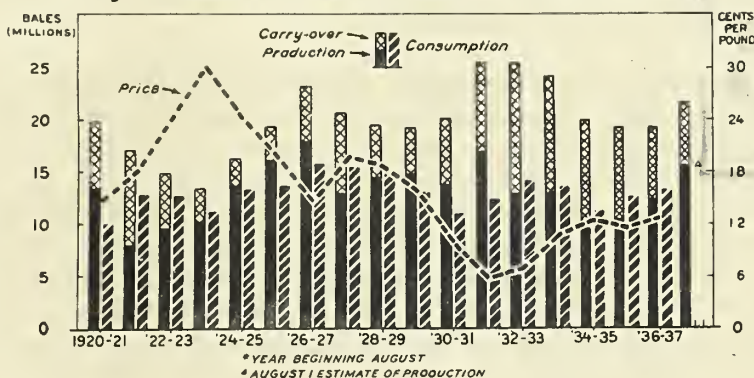
THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C.

AUGUST 1937

Cotton, American: Production, World Consumption and Carry-over, and Price at 10 Markets, 1920 to Date *

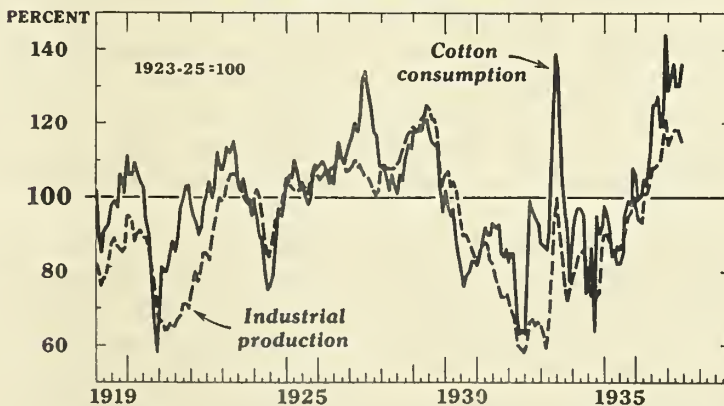


U. S. DEPARTMENT OF AGRICULTURE

NEG. 24-871-B BUREAU OF AGRICULTURAL ECONOMICS

WITH THE 1937 DOMESTIC CROP INDICATED AS OF AUGUST 1 TO BE 3,200,000 BALES LARGER THAN THE PREVIOUS CROP, THE WORLD SUPPLY OF AMERICAN COTTON FOR THE CURRENT SEASON IS INDICATED TO BE ABOUT 2,200,000 BALES LARGER THAN IN THE PREVIOUS SEASON IN SPITE OF A DECREASE OF ONE MILLION BALES IN THE CARRY-OVER. WHILE THE WORLD CONSUMPTION OF AMERICAN COTTON IN 1936-37 INCREASED MATERIALLY, IT WAS LESS THAN AVERAGE AND MUCH LESS THAN THE PRESENT ESTIMATE OF THE 1937 CROP.

Cotton Consumption and Industrial Production in the United States



U. S. DEPARTMENT OF AGRICULTURE

NEG. 20570-B BUREAU OF AGRICULTURAL ECONOMICS

COTTON CONSUMPTION TENDS TO MOVE WITH GENERAL INDUSTRIAL PRODUCTION. THE HIGHER LEVEL OF INDUSTRIAL PRODUCTION AT THE BEGINNING OF THE 1937-38 SEASON THAN A YEAR EARLIER AND PROSPECTS FOR THE MAINTENANCE OF A FAIRLY HIGH LEVEL DURING THE MONTHS IMMEDIATELY AHEAD ARE FAVORABLE TO A CONTINUED HIGH LEVEL OF DOMESTIC CONSUMPTION. THE LARGER SUPPLIES OF COTTON AND LOWER PRICES ARE ALSO FAVORABLE TO A HIGH LEVEL OF COTTON CONSUMPTION. COTTON CONSUMPTION, HOWEVER, HAS BEEN QUITE HIGH IN RELATION TO INDUSTRIAL PRODUCTION FOR THE PAST YEAR AND A HALF, AND SALES OF COTTON GOODS HAVE BEEN BELOW OUTPUT FOR SEVERAL MONTHS.

DOMESTIC DEMAND

That consumer incomes and the demand for farm products in the United States will be relatively stable during the next few months, and probably for the remainder of 1937, is indicated by a review of business conditions affecting consumer purchasing power. In that event, the incomes of urban consumers during the last half of 1937 are likely to average between 5 and 10 percent greater than during the corresponding period of 1936. Since consumer incomes were increasing rapidly during the last 6 months of 1936, the increase for 1937 over 1936 probably will be greater during the early than in the late months of the period.

With allowances for seasonal variation, industrial production, factory employment and incomes of industrial workers were slightly lower in June than in the immediately preceding months (see table on last page). Incomplete data for July indicate little net change for the month, although the subsidence of labor disputes early in the month resulted in a slight increase in activity. Additional greater than seasonal declines which might occur before fall are not likely to materially affect consumer purchasing power. In several very important industries output continues well in excess of new business, but backlogs may be sufficient to keep them going with little more than the usual summer recession until a larger volume of new orders is received.

Business forecasters are generally optimistic with respect to the trend of industrial activity after the usual fall pick-up begins. Among the reasons most commonly cited for expecting a continuance at that time of last year's marked upswing of business are the excellent crop prospects, decreased labor unrest, generally improved business sentiment, easy credit, the still large replacement needs arising from purchases deferred during the depression, improved world trade conditions, and the general impetus of the recovery movement. There appears to be little doubt that we are still in the advancing phase of the business cycle, and that sooner or later the upward movement which has characterized most of the period since early 1933 will be continued.

Consideration of the situation prevailing in the several industries contributing most importantly to industrial production, however, does not point to much additional improvement during the remainder of this year, at least. The marked upswing of industrial activity during 1936 and early 1937, as measured by the Federal Reserve Index of Industrial Production, was largely a result of increases in the output of steel and textiles, and to a much lesser extent automobiles and minerals. Steel, of course, reflected larger production of many different types of finished products. In view of the recent high operating rates in these industries, and the less favorable outlook for textiles, any further big increases in industrial output this year will have to come largely from sources other than those which contributed most to the rise in 1936. Eventually, the construction industry is counted upon to furnish the necessary stimulus for an additional cyclical upswing.

Recently, however, building activity has been rather disappointing, and a continuance of the sharply increased costs may keep construction activity near present levels until rents catch up with building costs or potential home buyers become convinced that the rise is not merely temporary.

The effects on business activity of large crops may be over-emphasized. Large crops mean increased business for transportation, processing and marketing agencies, but such increases may not be large in relation to total industrial activity. Good crops this year will add somewhat to farm income, even though the larger quantities in most cases will be sold at lower prices. Marketings of livestock for the remainder of the year will be small, with prices higher. The present prospects are that farm income will not increase during the marketing season now beginning as much as during other recovery years, although it will be more evenly distributed geographically than in the drought years. The accompanying table, showing index numbers of total crop production and of industrial production by years since 1919, indicates that the influence of large crops on general business conditions may be easily obscured by other factors.

Index numbers of crop production and of industrial production,
United States, 1919-36

Year	All crops (1924-29 = 100)	Industrial production ^{1/} (F.R.B.) (1923-25 = 100)
1919	89	90
1920	101	72
1921	77	75
1922	89	99
1923	90	96
1924	96	100
1925	99	106
1926	106	109
1927	95	106
1928	106	118
1929	97	107
1930	95	86
1931	104	69
1932	90	70
1933	82	75
1934	70	82
1935	86	97
1936	^{2/} 81	^{3/} 115
^{1/} Crop years.	^{2/} Preliminary.	^{3/} 11-month average.

In view of the absence of specific factors pointing to either large increases or decreases during the remainder of 1937 in the output of the individual industries contributing most importantly to industrial production, a period of relative stability seems to be the most logical expectation. Since consumer incomes and demand for farm products fluctuate less than industrial activity, there is at present no reason to expect any major changes in domestic demand until 1938.

FOREIGN DEMAND

In recent months there has been an increasing number of indications that the world trade situation has greatly improved. The Economist, a British publication, reports that world trade "has already recovered to the pre-depression level", as a result of increased activity in the industrial nations and greater purchasing power of countries supplying the raw materials. These developments, however, have not been reflected in corresponding improvement in export outlets for American farm products. The physical volume of exports of American farm products declined steadily from February to June. The index for June was 46 percent of pre-war compared with an average of 55 for the crop year 1936-37 and 60 for the crop year 1935-36.

Now that the anticipated "better-than-average" crops are actually being harvested, the volume of agricultural exports for 1937-38 is expected to show a marked increase over recent years. This increase in volume of agricultural exports is expected, not only because of abundant crops in the United States, but because of limited harvests in many foreign countries and a generally favorable world trade situation. Weather and insects have reduced crops in some foreign countries; others have below-normal carryover because of previous small harvests. Some countries are no longer so intent upon self-sufficiency in food production, having found this a more difficult or less desirable goal than it appeared to be during the depression. Many countries are seeking a leveling of tariff barriers, abandonment of subsidies, and more open markets for most of the major crops.

Wheat may be used as an example of trends in this direction. In Germany the special reduced import duty on wheat permitted under certain conditions has been further cut from 93 cents to 11 cents a bushel. The Netherlands monopoly tax leviable on wheat imports (equivalent to an import duty) has been reduced from 30 cents to 15 cents a bushel. In Sweden, the tax levied on imports of wheat for milling purposes has been reduced from 10 to $3\frac{1}{2}$ cents a bushel. This is a special Swedish tax in addition to the customs duty of approximately $25\frac{1}{2}$ cents a bushel on wheat imports.

The Irish Free State has abolished her previous wheat import duty, but with certain restrictions. In Denmark the surtaxes on hard wheat have been abolished, eliminating the previous tax disparity between hard and soft wheat. The Danish import control system, however, has been prolonged through March 1938. Belgium has suspended the special license fees for wheat imports. Even Poland, normally an exporting country, has modified her grain export control by establishing reduced export quotas for August and September.

General world economic improvement points to generally increased buying power. This improvement, together with the decrease in import restrictions, will lead to increased foreign demand for some agricultural commodities produced in the United States. Increased foreign production of some crops, such as cotton and tobacco, will prevent the United States from taking full advantage of the improved demand situation. A few United States export crops, such as wheat and pears, have the double advantage this season of a large prospective domestic production and relatively little foreign competition.

WHOLESALE PRICES

The general level of wholesale prices at 87.4 percent of the 1926 average in early August, was a little lower than the recent high point in mid-June (87.8 percent) when prices had practically regained the recovery high of last April. The present level of prices is expected to be maintained or increased slightly in the next few months.

The decline from April to June reflected a sharp drop in prices of farm products, and a moderate decrease in prices of foods. Wholesale prices of farm products are now slightly below the mid-June average, whereas prices of nonagricultural commodities, particularly foods and house furnishing goods, have generally increased. Slight declines since mid-June have occurred only in building materials, chemicals and drugs, and miscellaneous commodities.

Prices of raw materials, semi-manufactured articles and finished products now range between 85 and 89 percent of the 1926 average, the greatest gain in the last 12 months occurring in prices of semi-manufactured articles. Since early 1933, prices of finished products have gained 36 percent, semi-manufactured articles 54 percent, and raw materials, which declined furthest in the depression, have gained 76 percent or more than twice as much as finished products.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the week ended August 7 was 93 percent of the pre-war level, compared with 96 for the corresponding week last year and 93 two years ago. The ratio reached 103 percent in early April 1937.

The combined index of wholesale prices in the currencies of 7 foreign countries which take about 70 percent of our agricultural exports was unchanged from May to June, with price changes in no country varying more than 1 percent. Since early July the trend has been upward.

Prices in England have increased moderately since early June and are now 20 percent above the July average a year ago. Prices in France have risen sharply following the second devaluation of the franc. The rise has been most marked in the price of imported products. Prices in Germany continue to rise slowly, despite the rigid governmental control. In Japan, prices declined in June from the recovery high in April, but recent cables indicate that commodity prices in Japan have developed a strong upward tendency.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers for farm products in mid-July was 125 percent of pre-war, compared with 124 in June and 115 in July 1936. The level of prices paid by farmers for all commodities was 133 percent of the pre-war average for July compared with 134 for June (revised figure) and 123 a year earlier. The ratio of prices received to prices paid by farmers was 94 in July compared with 93 in June and July a year ago. The ratio of 101 percent in January 1936 was the highest reached during the recovery.

Changes in market prices from mid-July to mid-August indicate that the general level of prices received by farmers has declined slightly. Prices of fruits, vegetables, cotton, wheat and corn are somewhat lower, while prices of hogs and cattle are up. For most other commodities, the changes in price between the two periods were insignificant.

The outlook is for some further decline from August to September in the level of prices received by farmers, although any decrease probably will be slight, with very mixed tendencies among the several commodities.

WHEAT

Higher domestic wheat prices may be expected sometime within the next few months as a result of prospective strengthening of world markets, unless present prospects for a small world production are revised upward materially or European buying does not pick up as much as is now anticipated. Exports from Soviet Russia, which country has prospects of an increased crop compared with last year, however, may so affect European markets as to retard or prevent this possible advance. Temporarily, Liverpool prices may decline until European buying becomes more active, and domestic prices may decline even more than those at Liverpool as a result of some widening of the spread between domestic and Liverpool prices, which widening may be necessary to induce larger exports from the United States. Prices in both domestic and foreign markets have declined sharply since the middle of July as the result of very heavy marketings of wheat in the United States, less urgent demand from domestic millers, and increased shipments from Danubian countries, besides early offers and sales of Russian wheat to Europe.

World wheat supplies outside of Soviet Russia and China now appear likely to be about the same as last year. During the past month world production estimates have been revised upward by 27 million bushels and carry-over stocks 15 million bushels. World stocks of old wheat on about July 1, excluding Soviet Russia and China, are tentatively placed at about 515 million bushels, which is about 245 million bushels less than last year. World wheat production excluding Soviet Russia and China, is now estimated at 3,777 million bushels, which is 240 million bushels above the 1936 production. The crop in the Northern Hemisphere, excluding Soviet Russia and China, is indicated to be about 3,360 million bushels or 294 million bushels more than that of last year. Smaller crops in Canada and Asia are more than offset by increases in the United States, Europe and Africa. The United States crop was indicated to be 890 million bushels on the basis of August 1 conditions, and the Canadian crop 165 million bushels based on crop and weather conditions to date.

European production is now estimated to be about 1,483 million bushels, or about 50 million bushels more than in 1936. The smaller crops in Germany, Yugoslavia, Hungary and Poland are more than offset by increases in Italy, France, Spain, and Greece. On the basis of weather conditions, a production of only about 210 million bushels is indicated for Argentina, which is about 40 million bushels less than in 1936-37, and about 140 million bushels for Australia, which is about 10 million bushels less than in 1936-37.

CORN AND OTHER FEED GRAINS

Prices of all feed grains declined sharply during the last half of July, influenced principally by the harvesting of the small grain crops and an unusually large proportion of low quality wheat which is being used for feed in many areas of the Corn Belt. Indications are that oats and barley prices are now practically adjusted to a new crop basis. In view of the active demand for corn, and with present stocks of old corn at record low levels, only moderate downward adjustments in cash corn prices seem probable until after farmers begin harvesting their new crop. The wide fluctuations in corn prices which have been characteristic of the corn market during the past spring and summer months may be expected to continue during the next few months. A corn crop much larger than the very small crop of last year is now practically assured, and about an average production seems probable if the weather is favorable during the next month. Under these conditions a sharp downward adjustment in cash corn prices is in prospect this fall as the new crop becomes available.

On the basis of August 1 indications, the production of corn, oats, barley and grain sorghums will total 101 million tons, which is slightly larger than the 1928-32 average, and the largest since 1932. This total is about 3 percent larger than the total estimate on July 1, due to an improvement in the condition of the corn crop, and indications for an above average crop of grain sorghums. The carry-over of corn, oats, and barley at the beginning of the 1937-38 marketing years of each of these crops will probably not total much over 3 million tons, which compared with an average carry-over of about 7,500,000 tons for the period 1928-32. Imports of corn have been at a record high level during the last 2 months, and have been furnishing a relatively large percentage of total market supplies. These, however, are expected to decline rapidly when corn prices become adjusted to a new crop basis.

FLAXSEED

The price of flaxseed at Minneapolis advanced about 15 cents during July after moving generally downward since the first of the year. Prices in Buenos Aires advanced during this same period, and the margin between the Buenos Aires price and the Minneapolis price declined from \$1.10 in January to about 63 cents for June, and then increased to 68 cents for the week ended August 7. This compares with a tariff on imports of 65 cents. The cost of shipping to New York is about the same from Buenos Aires as from Minneapolis. The trend of domestic prices during late summer and fall will be influenced largely by changes in demand as well as changing prospects for the 1938 Argentine crop. On the basis of present indications for these factors, and in view of the prospective small United States crop and small stocks remaining in Argentina, prices are expected to continue near the present high level during the remainder of the year.

The 1937 domestic crop was indicated on August 1 at 8,014,000 bushels, which would be 36 percent larger than the very small crop last year, but 50 percent below the 1928-32 average. A crop of this size plus the July 1 stocks of 3,359,000 bushels would give a total supply of 11,373,000 bushels. Although this would be larger than the supply in 1936-37, it would be much smaller than the usual domestic requirements, and large imports are to be expected again in the present marketing year if consumption is about average. For the 1936-37 fiscal year, imports totaled slightly more than 26 million bushels - the largest total on record and about double the average for the past 5 years. The rapid reduction in the Argentine surplus for export together with the recent narrowing of the margin between domestic and Argentine prices indicates that the rate of imports may be somewhat smaller during the remainder of the year than in the past 3 or 4 months.

TOBACCO

The price outlook for the 1937 crop appears fairly good for most types of tobacco, but the general price situation is not expected to be quite so favorable to growers as last year. August 1 estimates indicate a total production 23 percent larger than that of last year. For most types and classes, however, reduced stocks and increasing demand are expected to offset a large part of the price-depressing effect of increased production.

The marketing season for the 1937 tobacco crop began last month with the opening of the flue-cured markets in Georgia and Florida on July 29. Prices paid during the first 2 weeks were closely in line with corresponding prices last year. Markets in South Carolina and border markets for type 13 in North Carolina opened August 10 with prices for the various grades on the first day ranging from 1 to 8 cents per pound higher than opening prices last year.

Domestic consumption of tobacco products is increasing, and some improvement in foreign demand is also expected. In this country, consumption of cigarettes has shown the largest increase, tax-paid withdrawals during July - June, 1936-37 having been 12 percent larger than in the preceding 12 months. Cigar withdrawals increased 8 percent in the same period. Consumption of snuff and chewing tobacco has apparently shown a slight increase, but a small decline is indicated for smoking tobacco.

The price outlook for Maryland tobacco is better than in 1936 because of the smaller production indicated for that type. Although production of the cigar types has increased, it is still less than probable consumption, and consequently prices of cigar tobacco are not expected to be lower than in 1936. For flue-cured tobacco, the market situation is not expected to differ greatly from that of last year when prices averaged 22 cents per pound. The outlook for Burley and the dark air-cured types seems fairly satisfactory, but prices are not expected to remain at the high levels reached in 1936-37. With increased production and apparently declining consumption, the outlook for fire-cured tobacco is not encouraging.

COTTON

The indicated production of cotton on August 1, according to the Crop Reporting Board, was 15,593,000 bales of 478 pounds net. This crop would be 25.8 percent larger than last season's production of 12,399,000 bales, and would be the largest since 1931-32. The indicated production is the result of an indicated yield per acre of 223.3 pounds on an area of 33,429,000 acres (acreage in cultivation less 10-year average abandonment). Such a yield would be 25.7 pounds higher than in 1936 and the highest average yield per acre ever recorded in the United States. Every cotton producing State showed an increase in indicated production over actual production last season. The largest increase was in Oklahoma where the crop was very small in 1936 due to drought. Substantial increases as compared with last year are also indicated for all other States except Mississippi in which the indicated increase is less than 1 percent.

Spot prices at the 10 markets moved downward during July and the first part of August. The average for July was 12.12 cents, the high was 12.85 on July 9, and the low 11.10 cents on July 31. The averages for the weeks ended August 7 and 14 were 11.09 and 10.6 cents, respectively. Factors which might be considered to have been price depressing during the past 6 weeks were the opinion held by the trade that the condition of the crop was much better than average, indications that cotton crops in several important foreign countries probably would be larger in 1937-38 than in 1936-37, and the continued downward tendency in mill activity in the United States.

Consumption of all cotton by mills in the United States totaled 7,945,000 bales in the 12 months ending with July, compared with 6,351,000 in the corresponding 12 months a year earlier. Consumption of American cotton amounted to 7,735,000 bales compared with 6,220,000 last year, and was the largest consumption in the United States on record for both American and all kinds of cotton. Consumption of American cotton in foreign countries apparently amounted to nearly 5,400,000 bales, the smallest foreign consumption of American since 1920-21. Foreign consumption of all cotton was a record high this past year. World consumption of American which is tentatively estimated at nearly 13,200,000 bales was about 4 percent more than in 1935-36 because of the extremely large utilization in the United States.

Exports of cotton from the United States in the 12 months ended July of 5,440,000 bales were 9 percent less than a year earlier. With the exception of 1934-35, these are the smallest exports in any season since 1917-18.

WOOL

Little change in wool prices was reported in domestic and foreign wool markets during July. Trading in the domestic market was light in the first half of July but increased in the latter part of the month. Domestic mill consumption has declined from the high rate of the first quarter of 1937 but supplies in the United States are still below average and demand continues relatively favorable. Hence, wool prices in the domestic market probably will remain near present levels for the next few months.

Present prospects indicate that world wool production in 1937 will be larger than in 1936. Increased production will be partly offset, however, by the smaller stocks in the Southern Hemisphere where the carry-over was the lowest in several years. Wools from the new clip in the Southern Hemisphere will not be available in quantity until the final quarter of 1937.

The preliminary estimate of the quantity of wool shorn or to be shorn in the United States in 1937 is about 367 million pounds, which is an increase of 2 percent over 1936 and is practically the same as the average for the 5 years 1931-35. The increase is the result of the larger number of sheep shorn and a larger average weight per fleece in 1937 as compared with 1936. This estimate does not include wool pulled from slaughtered sheep and lambs which averaged 65 million pounds annually in the 5 years 1931-35.

The total supply of apparel wool in the United States on July 1 plus the part of the domestic production which will become available in the next few months was about 5 percent larger than a year earlier. Although larger than a year earlier, total supplies of wool in the United States at the beginning of July were smaller than in most other recent years.

HOGS

Slaughter supplies of hogs probably will increase seasonally during the fall months as spring pigs begin to be marketed in fairly large numbers. There also may be a considerable number of hogs from 1936 fall pig crop marketed this fall, since finishing of such pigs was delayed until the new crop of small grains became available this summer. The seasonal increase in hog slaughter from October through December, however, may be less than usual in view of the smaller spring pig crop this year than last, and the prospects for a corn crop about average but much larger than that of last year. The lower corn prices and higher hog-corn price ratio doubtless will cause producers to feed hogs to heavier weights and thereby delay marketings.

Although the seasonal increase in hog marketings this fall is expected to be less than average, the storage demand for hog products will not be so strong as a year earlier. It seems probable, therefore, that the seasonal decline in hog prices in the fall months will be about as great as usual.

Prices of hogs advanced further in late July and early August as slaughter supplies were reduced from the low level of May and June. During the first week of August, the top price of hogs at Chicago reached \$13.75, the highest price paid at that market since October 1926. Since early May prices of butcher hogs have advanced about \$3 per 100 pounds.

Inspected hog slaughter in July totaling 1,643,000 head was 22 percent smaller than in June and was the smallest for July since 1896. In the past 3 months hog slaughter has been almost as small as in the summer of 1935, following the drought of 1934. The large corn crop this year probably will result in a considerable increase in the 1938 spring pig crop. A succession of average or near-average corn crops in the next few years probably would result in a marked upswing in hog production from the present low level.

CATTLE

Prices of the better grades of slaughter cattle probably will continue, through early fall at least, at or near the present relatively high levels. The number of cattle on feed in the Corn Belt States on August 1 was 29 percent smaller than a year earlier and was the smallest for that date in many years. Marketings of well-finished grain-fed cattle, therefore, are expected to be much smaller than usual during the last half of this year. Because of the strong demand for stocker and feeder cattle in prospect for the fall months, the usual seasonal decline in prices of the lower grades of slaughter cattle is likely to be very small and may not occur at all this year. A decline in prices of the better grades of slaughter cattle is expected to occur in late winter and spring, however, as a result of increased supplies of grain-fed cattle in that period.

The general movement of prices of slaughter cattle was sharply upward from midsummer 1936 to July 1937. In July, prices of choice and prime grade slaughter steers at Chicago averaged \$15.47 per 100 pounds, compared with \$8.78 a year earlier. Top prices paid for heavy, well-finished grain-fed steers at Chicago reached \$17.60 in early August, which was the highest price paid at that market since November 1928. Although prices of most grades of slaughter cattle advanced in July, prices of the lowest grades declined slightly. This decline resulted from an increased proportion of grass cattle in the slaughter supply.

Marketings of cattle and calves were relatively large in the first 6 months of 1937, chiefly because of the short supplies and high prices of feeds, but a substantial reduction in marketings occurred in July. The number of cattle slaughtered under Federal inspection in July, totaling 790,000 head, was 6 percent smaller than in June and 15 percent smaller than a year earlier. The number of calves slaughtered, totaling 520,000 head, was 10 percent smaller than a month earlier, and 1 percent smaller than a year earlier. July was the first month this year in which inspected calf slaughter was smaller than that of the corresponding month of 1936.

LAMBS

Prices of lambs probably will be maintained near present levels during the remainder of the grass-fat lamb season through November 1937, with the spread between prices of feeder lambs and fat lambs less than usual. Although the supply of lambs available for market is about as large as a year earlier, the demand for feeder lambs is expected to be somewhat stronger than last summer and fall. Consumer demand for meats in the remainder of 1937 is expected to be slightly higher than in the last half of 1936.

The weekly average price of Good and Choice lambs at Chicago declined from \$12.66 in the week ended June 12, to \$10.35 in the week ended July 24, but recovered in late July and early August to \$11.00. After declining about mid-July, prices of ewes rose sharply at the end of the month to about \$1.50 higher than a year earlier. Prices of feeder lambs at Omaha in early August rose and were nearly \$2.00 above prices for comparable grades in 1936.

Slaughter of sheep and lambs under Federal inspection in July, totaling 1,390,000 head, was 2 percent smaller than in June, but 3 percent larger than in July 1936. In the first 3 months of the new crop marketing season, inspected slaughter of sheep and lambs was 8 percent larger than a year earlier. Practically all of this increase was in shipments of yearlings from Texas, since it seems probable that marketings of new crop lambs were no larger and perhaps smaller than in the corresponding months of last year.

The 1937 lamb crop was estimated at 30,712,000 head or about 1 percent smaller than that of 1936, but 2 percent larger than the 5-year 1931-35 average. Increases in the Native States and in Texas were more than offset by a reduction in the Western States. Slaughter of sheep and lambs probably will increase seasonally from September through November, but it may be smaller than a year earlier. The number of lambs purchased for feeding in late summer and fall probably will be much larger than the number purchased last year.

With a much larger production of corn and other feed grains this year than last fairly certain, the demand for feeder lambs is likely to be considerably stronger than a year earlier. Contracting of range lambs for fall delivery was reported active in late July and early August with prices ranging from \$8.00 to \$9.00, which were about \$1.00 higher than a year earlier.

BUTTER

Butter prices in July and early August averaged somewhat higher than in June. Ordinarily there is little seasonal change in prices during the summer months, the seasonal rise starting in September and reaching a peak in November or December. It seems probable that about the usual seasonal rise in prices will occur this year. This will be in marked contrast to 1936 when prices reached a peak in August and then declined during the later part of the year.

Butter production in June was 2.5 percent larger than in June 1936, but about 4 percent less than the peak production for the month in 1933. Butter production will probably continue larger than in 1936 for several months, but during the later part of the year production may be about the same as in 1936.

The movement of butter into consuming channels in June was about 2 percent less than a year earlier, but retail prices were about 6 percent higher. After an allowance for the butter distributed by the Government for relief estimated consumer expenditures for butter were about 2 percent larger than in June 1936.

Cold storage holdings of butter on August 1 were about the same as the 5-year average (1932-36) but about 20,000,000 pounds larger than the relatively small holdings a year earlier.

POULTRY AND EGGS

Important features in the poultry and egg situation at present are the large stocks of storage eggs and the prospect for a reduction in the size of the laying flock for 1938. At the end of July the feed-egg price situation, though still unfavorable to the farmer, became much less so.

The farm price of chickens apparently was not depressed by the relatively large storage stocks of poultry at the end of the out-of-storage season. The prospect for chicken prices therefore, is for a less than average seasonal decline from now to December, and an advance is possible. During the fall prices are expected to exceed those of 1936. This prospect is due largely to the probability of higher consumer incomes and lower receipts than in 1936.

Farm prices of eggs this fall are expected to fluctuate near the prices received in the fall of 1936. The larger storage stocks offset the higher consumer incomes in their effect on egg prices. Should incomes fail to be maintained, however, a lower price than in 1936 is likely.

The great reduction in the number of young chickens this year points to a reduction also in the size of the 1938 laying flock and hence to smaller egg supplies. Therefore, it now seems probable that egg prices in the first half of 1938 will be above those of the first half of 1937.

APPLES

Growing conditions during July were favorable for the development of the apple crop, and indications on August 1 pointed to a crop 4 percent greater than was indicated on July 1. The total crop is now indicated at 202.3 million bushels, more than 70 percent greater than the relatively small crop of last year and about one-fourth larger than the 1931-35 average. Prospects improved during July in all of the geographical sections except the Western States. Indicated production in this group of States is about the same as the 1931-35 average, but in all other areas the 1937 crop is estimated to be considerably above average.

The season started a little later this year than last, but shipments of apples in recent weeks have been relatively heavy, and total shipments for the season to date are more than 50 percent above those of last year. Prices of California Gravensteins at New York averaged \$1.83 per box during July this year compared with \$2.20 in July 1936, and prices of early Eastern varieties at New York and Chicago also are lower this year than a year ago. It is expected that lower prices than were received for the relatively small crop of last year will continue throughout the season, even though demand conditions are more favorable than a year earlier. If consumers' incomes remain near present levels, however, as now appears likely, prices of the total 1937 crop will probably average higher than those of 1935 and perhaps as high as those of 1934.

PEACHES

Indicated production of peaches, on the basis of August 1 condition, is 2 percent larger than the crop indicated on July 1. The indicated total crop of 59 million bushels is 10 percent greater than the 1931-35 average and nearly one-fourth larger than the small crop of last year. Growing conditions, however, have not been uniformly favorable. The Southern States had a relatively small crop and the California crop of clingstones and freestones is indicated to be about average. In the remaining States, all of which harvest principally during August and September, the 1937 crop is indicated to be twice as large as last year's crop and about 43 percent greater than the 1931-35 average.

Peach prices appear to have declined a little more than seasonal during recent weeks, and are now at about the same levels as at this time in 1936. The small Southern crop together with improved demand conditions have resulted in relatively high peach prices thus far in the season, and it seems likely that prices to Southern growers this year will average higher than last year. Prices of California peaches, for all purposes, are also likely to average somewhat higher than last year, but peach prices in the other late States as a whole may average below those of 1936.

POTATOES

With a relatively large crop of potatoes in prospect this year, prices continued to decline seasonally during the last month. They have averaged about 50 percent lower than last year, when production was small, and may be expected to continue lower during the remainder of the present marketing season.

Generally favorable growing conditions in most of the late-potato States during July made little change in the indicated production in those areas. The prospective crop in these States remains about the same as it was a month ago, approximately 329,000,000 bushels, or 18 percent more than the crop of 1936 and 10 percent larger than the 1928-32 average production. The intermediate potato crop in eastern Virginia was reduced sharply by insect damage and other unfavorable conditions, so that the August indication of the total production in 7 intermediate States declined about 2,000,000 bushels to 36,600,000 bushels. But this is still 10,500,000 bushels more than last season's crop and only 7 percent below the 5-year average for this group. The total United States potato crop is now indicated as 402,537,000 bushels, compared with about 330,000,000 in 1936 and a 1928-32 average of approximately 372,000,000 bushels. The indicated yield per acre this year is the highest on record, averaging almost 125 bushels.

The car-lot movement from the intermediate areas is gradually decreasing, and during early August averaged only about 200 cars per day, chiefly from New Jersey and Nebraska. Among the late-potato States, harvesting had become quite active in Pennsylvania, the Long Island section of New York, Colorado, Utah, Idaho, Washington, and northern and central California. Shipments are due to increase each month until the peak of the fall movement is reached in October.

TRUCK CROPS

Although general conditions of many truck crops showed the usual seasonal decline since early July, the condition of practically all these crops on August 1 was still above that of a year ago. Late-crop production of all vegetables is indicated to be approximately one-sixth larger than last season and about one-fifth above the recent 5-year average. The principal exception is the late onion crop, which has been damaged by heavy rainfall in some areas.

Market supplies of most vegetables continued large during the past month, and price declines outnumbered the few advances. Prices of commodities which are produced very largely for the fall and winter market can be expected to show further declines until the harvest period is completed, while prices of those commodities whose marketing season usually ends with the summer probably will register some increase during the next few weeks.

Movement to market by motor-truck is most active during the summer months, and about the only vegetable crops showing heavy shipments by rail during early August were potatoes, melons, and lettuce, with a moderate car-lot movement of onions, peas, celery, and tomatoes. Prices of onions and green peas continued generally firm. Slight price advances were reported by August 10 for snap beans, cabbage, cucumbers, spinach, water-melons, and western lettuce, but moderate to sharp declines were registered in prices for lima beans, beets, cantaloups, carrots, cauliflower, celery, green corn, eggplant, peppers, and tomatoes.

